

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SS-15 EB-07 SP-02 INR-07 INRE-00

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 0257

C O N F I D E N T I A L TEHRAN 11981

E.O.11652: GDS

TAGS: ENRG, IR

SUBJ: ECONOMIC IMPACT OF OPEC PRICE RISE

1. WE HAVE BEEN ASKED TO PROVIDE INFORMATION ON AN URGENT BASIS TO NIOC REGARDING THE LIKELY EFFECTS ON THE WORLD ECONOMY OF VARYING INCREASES IN THE PRICE OF OIL. INFORMATION HAS BEEN REQUESTED IN ANTICIPATION OF A MEETING NEXT WEEK BETWEEN THE SHAH AND SENIOR ENERGY ADVISORS IN WHICH IRAN'S POSITION IN THE DECEMBER OPEC MEETING WILL REPORTEDLY BE DISCUSSED.

2. ACCORDING TO EMBASSY SOURCE, JAMSHID AMOUZEGAR, IRAN'S REPRESENTATIVE TO OPEC, HAS ALLEGEDLY TAKEN A HARD-LINE ON OIL PRICES AND MAY, IN THE MEETING SCHEDULED FOR NEXT WEEK, MAKE A STRONG RECOMMENDATION TO THE SHAH THAT IRAN GO FOR A SUBSTANTIAL INCREASE IN DOHA MEETING. EMBASSY SOURCE SAYS THAT SENIOR NIOC OFFICIALS ARE VERY CONCERNED THAT SHAH MIGHT ACCEPT AMOUZEGAR'S RECOMMENDATION WHICH, IN NIOC VIEW, WILL BE DAMAGING (OR WORSE) TO WESTERN ECONOMIES.

3. NIOC WANTS USG (OR REPUTABLE PRIVATE) ANALYSIS OF LIKELY EFFECTS OF OIL PRICE INCREASE IN ORDER TO COUNTER CLAIM THAT OIL IMPORTERS CAN ACCOMMODATE THEMSELVES TO SUBSTANTIAL PRICE INCREASE WITHOUT MAJOR DISLOCATIONS. SPECIFICALLY, WE HAVE BEEN ASKED TO PROVIDE INFORMATION ON IMPACT ON INFLATION AND EMPLOYMENT LEVELS, ESPECIALLY

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IN US, JAPAN AND WESTERN EUROPE; AND, ON BALANCE OF

PAYMENTS DIFFICULTIES, ESPECIALLY THE LIKELY GROWTH IN CURRENT ACCOUNT DEFICITS OF LDC'S, ASSOCIATED WITH OIL PRICE INCREASES OF 15-25 PERCENT.

4. WE ARE INFORMED THAT CECIL B. THOMPSON OF FEA RECENTLY TALKED IN PARIS WITH A MEMBER OF IRANIAN DELEGATION TO CIEC MEETING ABOUT THIS SUBJECT; AND, THAT FEA HAS A STUDY WHICH WOULD BE HELPFUL TO IRANIAN MODERATES. THIS AND ANY OTHER INFORMATION WHICH IN THE OPINION OF THE DEPARTMENT SHOULD BE MADE AVAILABLE TO NIOC SHOULD BE TRANSMITTED BY CABLE BY DECEMBER 7. RESPONSE SHOULD INCLUDE AS MUCH SUPPORTING STATISTICAL DATA (WITH THEIR SOURCES) AND ANALYSIS AS IS PRACTICABLE TO BE TRANSMITTED BY CABLE.

HELMS

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